

**AUDIT OF GSA'S RESPONSE TO
HURRICANE KATRINA
REPORT NUMBER A060055/A/R/F07009**

February 26, 2007





U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: February 26, 2007

Reply to: Deputy Assistant Inspector General
Attn of: for Real Property Audits (JA-R)

Subject: Audit of GSA's Response to Hurricane Katrina
Report Number A060055/A/R/F07009

To: John F. Phelps
Chief of Staff (AC)

This report presents the results of our audit of the General Services Administration's (GSA) response to Hurricane Katrina. Our review disclosed the need for improvements in the agency's emergency contracting and management programs that support the Federal Emergency Management Agency (FEMA). Foremost, GSA's procurement roles and relationship with FEMA need to be clarified. GSA also needs comprehensive guidance and training for emergency contracting personnel, an improved rotation scheduling, and additional supervision and oversight. Procedures among regional emergency management teams in responding to disasters need to be more consistent, including procedures for the management of mission assignments and for the processing of procurement requests. Finally, GSA's controls over the tracking of reimbursable labor and travel costs need to be strengthened as GSA under-billed FEMA for Katrina-related support costs.

If you have any questions regarding this report, please contact me at (202) 219-0088 or Nicholas Painter, Auditor-in-Charge, at (404) 331-5125.

Sincerely,

R. Nicholas Goco
Deputy Assistant Inspector General for Real Property Audits (JA-R)



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EXECUTIVE SUMMARY

Purpose

The audit objectives were to determine whether current General Services Administration (GSA) controls and procedures ensure efficient and effective use of agency purchasing expertise in emergency situations; to determine whether current Emergency Management controls and procedures ensure efficient and effective disaster response support to FEMA; and to determine whether GSA's billing process ensures that GSA charges FEMA only for appropriate costs and that the charges are accurate and complete.

Background

On August 29, 2005, Hurricane Katrina made landfall on the Gulf Coast of Mississippi, Louisiana, and Alabama as a high-end Category 3 hurricane. Katrina devastated the Gulf Coast, impacting 93,000 square miles of the United States, flooding the city of New Orleans, and causing an estimated \$96 billion in damage, making Katrina one of the most destructive natural disasters in American history.

Prior to Katrina's landfall on the Gulf Coast, the Federal Emergency Management Agency (FEMA) activated GSA under ESF #7 (Resource Support Annex) of the National Response Plan (NRP).¹ To activate GSA, FEMA issued Mission Assignments to GSA Regional Emergency Coordinators in the Southeast Sunbelt and Greater Southwest Regions. These Mission Assignments provide a description of the services required and specify the monetary and authority thresholds within which GSA can act without further approval. Under ESF #7, GSA's primary role has been to act as a procurement agent for FEMA. As such, GSA contracting officers place orders and award contracts to meet FEMA requirements and handle related administrative functions, such as processing contract modifications and closeouts.

FEMA reimburses GSA for costs associated with activating employees for ESF #7, including payroll, travel, and other miscellaneous expenses. Per the GSA Emergency Management Handbook² and GSA Office of the Chief Financial Officer guidance issued

¹ The National Response Plan (NRP) is an all-hazards plan that provides the structure and mechanisms for national-level policy and operational coordination for domestic management of Incidents of National Significance. The NRP uses ESFs to group the capabilities of Federal departments and agencies to provide the planning, resources, program implementation, and emergency services that are most likely to be needed during Incidents of National Significance. GSA is designated as the primary and coordinating agency for ESF #7 – Resource Support Annex of the NRP.

² ADM P 2400.18 GSA Emergency Management Program, 5-3.g.(5)

December 13, 2005, all costs paid through revolving funds should be reimbursed by FEMA; costs paid through appropriated funds and reimbursed by FEMA should be limited to overtime, travel, and per diem. Reimbursable agreements between GSA and FEMA were formalized for these Mission Assignments via Reimbursable Work Authorizations (RWAs).³

Results-in-Brief

GSA's mission under ESF #7 is to provide resources in support of FEMA disaster relief efforts. However, the magnitude of Hurricane Katrina and GSA's multi-regional response revealed the need for improvements in the agency's emergency contracting and management programs that support FEMA. A primary concern is that GSA's procurement roles and its relationship with FEMA are not clearly defined by the NRP and Memorandum of Understanding (MOU) between GSA and FEMA.

Also, in fulfilling GSA's commitment to ESF #7, contracting personnel faced several obstacles including the need for comprehensive guidance and training for contracting officers, improved rotation scheduling, and additional supervision and oversight of the contracting personnel. These shortcomings impacted the effectiveness of GSA's contracting efforts. For example, contracting personnel did not always perform adequate contractor responsibility or price reasonableness determinations, and some contracts were awarded with poorly defined scopes of work, insufficient pricing or quantity information, or inappropriate contract forms. In many cases, required contract file documentation was missing or incomplete. In addition, procurement data was often inaccurate or incomplete because the data was not captured by any centralized information system as contracts were awarded and had to be manually input into procurement databases after the fact.

Furthermore, regional emergency management teams have developed their own practices, leading to inconsistency between the regions. While some variation may be normal, as it is the regional emergency management teams that assume control of the ESF #7 function, there are several practices that should be standardized. These include the procedures for the management of Mission Assignments and for the processing of procurement requests.

Finally, GSA's controls over the tracking of reimbursable labor and travel costs need to be strengthened as GSA has under-billed FEMA for Katrina-related support costs. In some cases these under-billings resulted from regional policies and decisions. However, a major cause of the under billings is that the process to identify and charge the billings is unclear and inconsistent.

³ E-type RWAs are non-recurring RWAs specifically used by FEMA to facilitate services in support of declared emergencies or disasters.

Recommendations

To improve GSA's disaster support to FEMA, GSA should:

- Collaborate with FEMA to update the MOU and clarify procurement responsibilities for each agency as well as other aspects of their relationship.
- Establish national emergency contracting guidance and standard operating procedures that address contracting requirements and processes related to ESF #7 emergency contracting.
- Institute nationwide emergency contracting training to prepare contracting staff for future disasters.
- Ensure the proper supervision and oversight of contracting personnel supporting FEMA under ESF #7.
- Develop alternative contracting methods that would mitigate risks of limited availability of contractor responsibility information and limited sourcing capabilities.
- Coordinate with FEMA to explore the use of a centralized information system that automatically captures procurement data to ensure accurate and timely procurement data is available.
- Ensure that regional emergency management program practices are consistent, especially with regard to the management and reporting of Mission Assignments and the acceptance of procurement requests.
- Examine the current billing methodology to ensure that costs incurred by GSA to support FEMA can be accurately and completely identified and billed to FEMA.

Management Comments

In his February 22, 2007 response to the draft audit report (see Appendix A), the Chief of Staff (AC) indicates concurrence with the report recommendations.

INTRODUCTION

Background

On August 23, 2005, Hurricane Katrina initially formed as a tropical depression in the southeastern Bahamas. On August 25th, the storm made landfall in Florida as a Category 1 hurricane. Katrina traveled through southeastern Florida and then passed through the Gulf of Mexico where it continued to gain strength, eventually attaining Category 5 status, and made landfall again on August 29, 2005. On this date, Hurricane Katrina reached the Gulf Coast of Mississippi, Louisiana, and Alabama as a high-end Category 3 hurricane, and ultimately became one of the most destructive natural disasters in American history. Katrina devastated the Gulf Coast, impacting 93,000 square miles of the United States, flooding the city of New Orleans, and causing an estimated \$96 billion in damage.

Prior to Katrina's landfall on the Gulf Coast, the Federal Emergency Management Agency (FEMA) activated the General Services Administration (GSA) to fulfill its duties under the National Response Plan (NRP). The NRP, issued in final form in December 2004, is an all-hazards plan that provides the structure and mechanisms for national-level policy and operational coordination for domestic management of Incidents of National Significance. The NRP uses the foundation provided by Homeland Security Presidential Directive 5⁴, National Incident Management System, and the Robert T. Stafford Disaster Relief and Emergency Assistance Act to provide a comprehensive, all-hazards plan for Incidents of National Significance.

In order to fulfill the various incident management functions, the NRP uses Emergency Support Functions (ESFs) to group the capabilities of Federal departments and agencies to provide the planning, resources, program implementation, and emergency services that are most likely to be needed during Incidents of National Significance. The NRP identifies 15 ESFs and a corresponding primary agency responsible for each. GSA is designated as the primary and coordinating agency for ESF #7 – Resource Support Annex of the NRP.

In preparing for and responding to Hurricane Katrina, FEMA activated GSA under ESF #7. Under ESF #7, GSA's primary role has been to act as a procurement agent for FEMA. To fulfill this role, GSA contracting officers place orders and award contracts to meet FEMA's requirements and handle related contract administrative functions, such as processing contract modifications and closeouts. FEMA provides Contracting Officer Technical Representatives to oversee all ESF #7 executed procurement contracts as

⁴ Homeland Security Presidential Directive (HSPD)-5 requires all Federal departments and agencies to adopt the National Incident Management System (NIMS) and use it in their own individual domestic incident management and emergency prevention, preparedness, response, recovery, and mitigation programs and activities.

appropriate. Per the 1989 Memorandum of Understanding (MOU) between FEMA and GSA, FEMA is also responsible for contractor payment.

To activate GSA under ESF #7, FEMA issued Mission Assignments (FEMA Form 90-129) to GSA Regional Emergency Coordinators (RECs) in the Southeast Sunbelt and Greater Southwest Regions. These Mission Assignments are distinguished through unique Mission Assignment numbers, which are generated based on type of assistance needed, state requiring assistance, and Agency assigned support tasks. They provide descriptions of the services to be provided and specify the monetary and authority threshold within which the designated ESF can act without further approval. Reimbursable agreements between GSA and FEMA were formalized for these Mission Assignments via Reimbursable Work Authorizations (RWAs).⁵ Under activation Mission Assignments, GSA is primarily reimbursed by FEMA for employee time and travel. In order to obtain reimbursement, GSA's regions identify and collect time and travel costs, which are then charged against the Mission Assignment using the RWAs.

While the primary reason FEMA issues Mission Assignments to GSA is to activate GSA contracting personnel for the procurement of goods and services, FEMA can also issue Mission Assignments for a variety of other purposes. For example, during the response to Hurricane Katrina, FEMA issued Mission Assignments to GSA under ESF #7 to sub-task the U.S. Forest Service and Department of Interior under ESF #4, Firefighting Annex, for a variety of tasks. FEMA also issued Mission Assignments to set up a call center in Chicago. GSA also plays a support role under several other ESFs, including ESF #2, the National Communication System. In this capacity, GSA personnel acted as liaisons between the Government and the telecommunications industry to ensure communication support and to restore the telecommunications infrastructure in the affected area. These services are provided in accordance with the 1989 MOU.

In July of 2004, the GSA Office of Emergency Management initiated a review of GSA's emergency management program including its roles and responsibilities under the NRP. However, Hurricane Katrina struck before the review's recommendations could be considered for adoption. GSA is currently in the process of developing and/or revising its policies and guidance for the emergency management program as well as the interagency agreement between GSA and FEMA. At the time of the Hurricane Katrina disaster, the Office of Emergency Management (OEM) was under GSA's Chief of Staff. In March 2006, OEM was transferred to the Public Buildings Service (PBS). Then, in November 2006, OEM was abolished and its functions were transferred to the newly created Office of Emergency Response and Recovery (OERR), which reports to the GSA Administrator through the Chief of Staff.

The GSA Office of Inspector General (OIG) has issued three Interim Audit Memoranda detailing preliminary audit observations during our audit fieldwork. *Interim Audit*

⁵ E-type RWAs are non-recurring RWAs specifically used by the Department of Homeland Security's Federal Emergency Management Agency (FEMA) to facilitate services in support of declared emergencies or disasters.

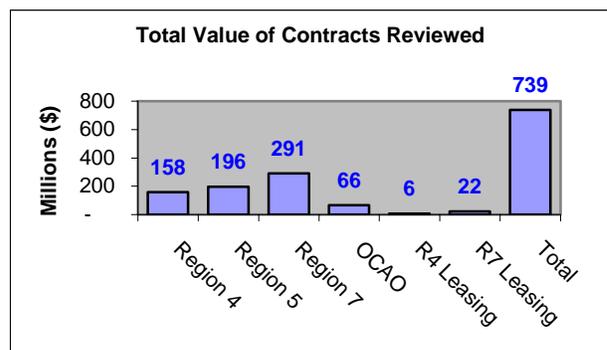
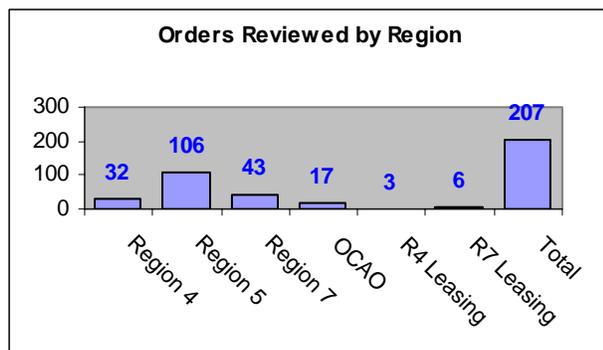
Memorandum on the Standard Operating Procedures for GSA Support of FEMA, dated February 23, 2006, discusses the need for consistent emergency management policies and procedures, specifically with regard to the handling of Mission Assignments, procurement processing, and reimbursement of GSA travel and payroll expenses. *Interim Audit Memorandum 2 – Preliminary Observations on GSA’s Response to Hurricane Katrina – Contractor Responsibility Determinations*, dated April 13, 2006, discusses the need for reliable contractor responsibility determinations. *Interim Audit Memorandum 3 – Preliminary Observations on GSA’s Response to Hurricane Katrina – Procurement Process*, dated July 25, 2006, discusses the need for stronger coordination of ESF #7 efforts between GSA and FEMA, the need for agency-wide guidance and training, the need for improved price reasonableness determinations, and the need for improved tracking and reporting of contracting information. Each of these issues is further discussed in this report.

Objectives, Scope, and Methodology

The audit objectives were:

1. To determine whether current controls and procedures ensure efficient and effective use of the agency’s purchasing expertise in emergency situations;
2. To determine whether current Emergency Management controls and procedures ensure efficient and effective disaster response support to FEMA; and
3. To determine whether GSA’s billing process ensures that GSA charges FEMA only for appropriate costs and that the charges are accurate and complete.

The audit examined all ESF #7 procurements in support of Hurricane Katrina with total contract values equal to or greater than \$500,000 that were recorded in tracking logs at the time of our site visits. As shown below, we reviewed a total of 207 contracts and orders with aggregate contract values of approximately \$741 million.



The audit also included a review of the GSA procedures and controls in place to ensure efficient and effective disaster response and use of agency procurement expertise in emergency situations. Audit fieldwork was conducted in the Southeast Sunbelt (Region 4), Great Lakes (Region 5), and the Greater Southwest (Region 7) regions, as well as GSA's Office of the Chief Acquisition Officer (OCAO), GSA National Office and GSA Finance in the Heartland Region. Additionally, we made site visits to the FEMA Joint Field Offices (JFO) in Baton Rouge, LA in December 2005 and Jackson, MS in November 2005 to review procurement files and meet with GSA and FEMA personnel on-site.

Fieldwork was conducted between November 2005 and June 2006. The audit was performed in accordance with generally accepted Government auditing standards.

This review is being conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of this report will be forwarded to the PCIE Homeland Security Roundtable, which has been coordinating Inspector General reviews of this important subject.

RESULTS OF AUDIT

Overview

As the lead agency for Emergency Support Function #7 (ESF #7) under the National Response Plan (NRP), the General Services Administration's (GSA's) mission is to provide resources in support of the Federal Emergency Management Agency (FEMA) disaster relief efforts. However, the magnitude of Hurricane Katrina and GSA's multi-regional response revealed the need for improvements in the agency's emergency contracting and management programs that support FEMA. A primary concern is that GSA's procurement roles and its relationship with FEMA are not clearly defined.

In fulfilling GSA's commitment to ESF #7, contracting personnel also faced additional obstacles, including the need for comprehensive guidance and training for emergency contracting, improved rotation scheduling, and additional supervision. These shortcomings impacted the effectiveness of GSA's contracting efforts. For example, contracting personnel did not always perform adequate contractor responsibility or price reasonableness determinations, some contracts were awarded with poorly defined scopes of work, and in many cases, required contract file documentation was missing or incomplete. In addition, procurement data was not captured by any centralized information system as contracts were awarded. Instead, data had to be manually input into procurement databases after the fact and was often inaccurate or incomplete.

Furthermore, the procedures for managing Mission Assignments and for processing procurement requests are inconsistent, as regional emergency management teams have developed their own practices. Finally, controls over the process to identify and charge reimbursable labor and travel costs are unclear, causing GSA to under-bill FEMA for Katrina-related support costs.

To improve its response to future disaster situations, GSA needs to develop a structured emergency contracting program. This program should address the obstacles faced in its contracting support to FEMA during the Hurricane Katrina response, and should examine alternative contracting methods. GSA also needs to establish standard operating procedures for the emergency management program to ensure consistency among the regions. Similarly, GSA needs to improve its methodology to obtain reimbursement from FEMA as the controls and processes to bill FEMA were not adequate. However, all of these issues can only be addressed once GSA's role and responsibilities in supporting FEMA are more clearly defined.

GSA's Roles and Responsibilities Need to be Clearly Defined

The NRP designates GSA as the lead agency for ESF #7, Resource Support Annex. Under ESF #7, GSA acts primarily as a procurement agent for FEMA during incidents of national significance. GSA contracting officers place orders and award contracts to

meet FEMA requirements and handle related contract administrative functions, such as processing contract modifications and closeouts. FEMA provides Contracting Officer Technical Representatives (COTRs) to oversee contractor performance. FEMA also pays contractors directly for these supplies and services rendered in accordance with the current MOU between GSA and FEMA.

While the NRP and MOU provide descriptions of GSA and FEMA procurement roles, they do not clearly define either agency's full responsibilities. The MOU, which in practice should set forth the procedures to carry out GSA and FEMA responsibilities under the NRP, was signed in 1989 and has yet to be updated to reflect the NRP. Therefore, the segregation of procurement and oversight responsibilities necessitates strong communication and coordination efforts between GSA and FEMA. However, communication and coordination between GSA and FEMA are in need of considerable improvement. As reported by GAO⁶, GSA contracting personnel could not identify the FEMA officials responsible for overseeing contractor performance. Further, GAO reported that those FEMA officials who were identified by GSA were not aware of these contracts and did not know who was responsible for them.

GSA also needs to clarify its relationship with FEMA with regard to the responsibility for the long-term administration of land leases. In responding to Hurricane Katrina, GSA awarded land leases on behalf of FEMA for land used for travel trailer communities. Since these leases were awarded on behalf of FEMA, they are not included in GSA's inventory. Further, in its normal course of business, GSA manages leases for office and other customer agency space needs; GSA does not typically administer, manage, and operate travel trailer communities. As the long-term involvement in land leases will create a burden for GSA, the agency's responsibilities as well as those with FEMA need to be addressed.

Since late 2005, GSA has been making efforts to update the MOU with FEMA to clearly define GSA's role and responsibilities in supporting FEMA. GSA and FEMA are currently in negotiations for the new MOU, and need to ensure all aspects of the relationship are clearly defined to improve the communications and coordination of the two agencies' disaster response efforts.

GSA Needs to Develop a Comprehensive Emergency Contracting Initiative

GSA needs to develop a comprehensive emergency contracting initiative to ensure efficient and effective use of agency purchasing expertise in emergency situations. In fulfilling GSA's commitment to ESF #7, contracting personnel faced several obstacles that limited their knowledge and ability to effectively meet their procurement responsibilities. These obstacles include the need for comprehensive guidance and training for emergency contracting, improved rotation scheduling, ensuring the

⁶ GAO Testimony on May 4, 2006, "Hurricane Katrina: Improving Federal Contracting Practices in Disaster Recovery Operations" (GAO-06-714T).

supervision and oversight of the contracting personnel as well as the need for examining alternative contracting methodologies.

Lack of Emergency Contracting Guidance and Standard Operating Procedures

GSA contracting personnel lacked guidance and standard operating procedures (SOPs) for contracting and operating under ESF #7. While emergency contracting and related issues are covered by the Federal Acquisition Regulation (FAR), General Services Acquisition Manual (GSAM), GSA acquisition letters, and other policy, they have not been consolidated into a usable format for contracting personnel to use during emergency response situations. Most GSA emergency guidance, such as the GSA Emergency Management Program Handbook (ADM P 2400.18), issued in April 1996 and updated on May 19, 1998, and the GSA Field Guide for Disaster Responders, dated March 20, 2003, is primarily focused on emergency management rather than emergency contracting.

While the GSA Emergency Management Program Handbook (Handbook) and the GSA Field Guide for Disaster Responders (Field Guide) provide some information and guidance on emergency contracting, it is often incomplete or inaccurate. For example, the Field Guide recommends using the GSA Form 300, Order for Supplies and Services, by stating that it is “the simplest method for establishing blanket purchase agreements, and making one-time purchases.” However, for commercial purchases above the simplified acquisition threshold, the FAR requires the use of Standard Form 1449, Solicitation/Contract/Order for Commercial Items.

Similarly, according to Section 5.9 of the Handbook, GSA personnel can issue contract ratifications to approve unauthorized commitments so long as the GSA official has a warrant that is above the amount of the transaction or is the leader of the GSA support personnel. In this regard, our review found 11 contracting actions issued in one region, totaling over \$10 million, in which contracting officers (COs) ratified agreements made by FEMA representatives. However, this ratification authority in the Handbook appears to conflict with FAR 1.602-3, which states that “the head of the contracting activity, unless a higher level official is designated by the agency, may ratify an unauthorized commitment,” and that this authority “may be delegated in accordance with agency procedures, but in no case shall the authority be delegated below the level of chief of the contracting office.”

During the response to Hurricane Katrina, the regions developed their own contracting guidance and operating procedures, as there was no available alternative. In late September 2005, contract supervisors in one region put together a checklist as a guide for contracting officers that detailed the contracting steps and required documentation based on the dollar value of the contract. However, its utilization was impeded because it underwent multiple revisions as more information was added and rules were changed. In other regions, checklists for contract file documentation were developed and employed to varying degrees. Also in late September 2005, another region provided

the audit team with an early version of SOPs that provided examples of procurement documentation used and a description of the emergency contracting process, from the initial FEMA acquisition request through contract award and input into FPDS. However, when the audit team visited the contracting staff at the joint field office, these SOPs were not available. Instead, the contracting staff had developed its own SOPs and contract file requirements that were passed along as new rotations came in.

Contracting officers responding to a disaster need reliable and comprehensive emergency contracting guidance and procedures to address many basic issues that they may encounter. This should be available on a national basis to ensure contracting officers from all regions perform their responsibilities consistently.

Insufficient Emergency Contracting Training

Prior to Hurricane Katrina, GSA did not provide emergency contracting training at the national level; individual regions provided training, but formal training offered even at this level was limited. According to the REC for one affected region, with the exception of last year, emergency management training for ESF #7 was provided to "established teams" prior to hurricane season at FEMA Regional Headquarters in Atlanta. In another affected region, a limited number of contracting officers received on-the-job training in past disasters and provided a short briefing to other contracting personnel in that region prior to being activated. Although these efforts may have provided some degree of preparation to the local contracting staff, contracting personnel from other regions rotated into emergency contracting sites with no prior training. According to discussions with the ESF #7 team leaders, virtually no training was provided to the contracting officers who rotated in to provide the emergency contracting support to FEMA.

The lack of training is a primary reason that GSA contracting staff had difficulty developing Justifications for Other than Full and Open Competition (Justification). According to the FAR 6.3, under unusual and compelling urgency, a contracting officer may use other than full and open competition, but must justify when other than full and open competition is used. The Justification needs to include sufficient facts and rationale to justify the use of the specific authority cited and also needs to be approved by specific levels of management based upon the dollar value of the contract. In a memo to GSA contracting associates dated September 6, 2006, GSA's Chief Acquisition Officer alerted GSA personnel to be aware of the Justification requirements for the contracts being issued in response to Hurricane Katrina.

Our review found issues with Justifications occurred in multiple locations. In one region, contracting personnel were provided with a boilerplate for the Justification, but in using the boilerplate did not adjust the narrative to fit their unique circumstances and just filled in certain blanks in the form. In another region, a post-award review by supervisory contracting personnel found that Justifications were missing from most files and instructions were issued on post-award documentation requirements. At another

contracting site, a Justification that was prepared for ambulance procurements was also used in procurements for other goods such as ice and meals-ready-to-eat. GSA recognized these problems and issued a class Justification for procurements made in response to Hurricanes Katrina and Rita. The Justification was issued on February 6, 2006, for disaster procurements awarded shortly before Hurricane Katrina struck through December 1, 2005.

GSA contracting staff would have been better prepared and able to resolve many of the contracting issues encountered during the Hurricane Katrina response had they received emergency contracting training. GSA should institute nationwide emergency contracting training in order to prepare contracting staff for future disasters. This training could eliminate confusion and address basic issues encountered during the Hurricane Katrina disaster, such as competition requirements, the use of Justifications for Other Than Full and Open Competition, and documentation requirements. Given that contracting personnel were drawn from multiple regions for Hurricane Katrina and could be for future events as well, it is important that potential responders receive regular and consistent training and preparation.

Rotations Hindered Operational Continuity and Did Not Provide Adequate Time to Complete Files

Further exacerbating the lack of training and guidance were rotational assignments that allowed minimal transitional periods for contracting staff rotating in to meet with their outgoing counterparts at the Joint Field Offices (JFO). The departing contracting officers generally gave briefings at the JFO to the incoming contracting officers. However, given the conditions at the JFO and the necessity for speedy turnover of contracting staff, these briefings were usually fairly brief. Consequently, it was difficult for COs to get up to speed on processes and in-progress procurements.

In addition to the lack of continuity, the rotations also did not provide enough time for contracting personnel to fully document their contract files. At the time of our site visits, a review of 255 contract actions showed that required documentation was missing from most files as discussed below:

- 41 contract files did not include Action Request Forms. These forms, initiated by FEMA, activate the procurement process and must be completed prior to initiation of a contract action.
- There was little or no documentation of Acquisition Plans for more than half of the procurements reviewed. Further, for trailer procurements, copies of identical Acquisition Plans were included in all files. In one region, the use of “oral” Acquisition Plans was documented after the fact for some contracts, but there was no summary of the plan as required by GSA Order OGP 2800.1- Acquisition Planning. Acquisition planning is necessary to ensure that the Government meets its needs in the most effective, economical, and timely manner.

- Price Negotiation Memorandums or Price Reasonableness Determinations were either missing or inadequate for nearly half of the acquisitions reviewed. Thus, the basis for price reasonableness cannot readily be determined.
- For 184 contracts requiring a Justification for Other Than Full and Open Competition, only 133 actually included the required Justification. Of these, only 115 contained all necessary signatures.

Both of the primary regions involved needed extensive post-award efforts to generate and complete required documentation before the contracts could be transferred to FEMA.

Lack of Preaward Oversight and Supervision

The problems caused by the lack of emergency contracting guidance, training, and continuity were compounded by a lack of pre-award oversight and review of contract actions. While this void existed at several contracting sites, it was especially prevalent at the JFOs where there were few supervisory contracting personnel onsite to provide guidance and supervision. Although there were lead COs at the JFOs and other locations, their primary responsibility was to make procurements rather than assist and oversee other contracting staff.

This contrasted with the GSA PBS Region 7 operations that worked in support of FEMA. There, three realty personnel were present in supervisory roles in Baton Rouge almost continuously from September through December of 2005. These personnel provided the necessary guidance and supervision that was needed to ensure operational continuity and coordination as realty personnel were rotated through the assignment. Additionally, GSA legal counsel was available onsite for further advice and guidance during portions of this period.

Contracting personnel would have benefited from having supervisory COs onsite for extended periods of time to train and provide guidance. This training and guidance would have helped to ensure the quality of contracts issued. Conversely, a lack of these controls resulted in some contracting efforts that do not adequately protect the government's interests.

While most contracts reviewed were sufficient, some contained poorly defined scopes of work and/or insufficient pricing or quantity information. For example, GSA issued an order to a contractor using Optional Form 347, Order for Supplies or Services. The scope of work is a single paragraph that is extremely vague and provides no specific pricing. The scope of work is as follows:

“Temporary Housing which includes technical support and preparation to purchase and deploy medical housing, responder billeting, base camp for

responders and disaster victims. The dollar amount for the performance period from 9-3-05 to 9-30-05 is not to exceed \$50,000,000.”

This contract lacks a clear scope, so there is no way to assess the contractor’s performance. It also does not have specific pricing that is needed to ensure billings are appropriate. When this contract was extended and approximately \$30 million was added for a total contract value of about \$80 million, the scope of work included a better description of the services under the contract; however, again no specific pricing was associated with the services provided.

Similarly, GSA issued a Blanket Purchase Agreement with a \$12,000,000 Not-to-Exceed threshold to another contractor using Optional Form 347. Again, the scope was deficient and no line item pricing was provided. In these cases, better oversight and supervision of the contracting personnel could have ensured the contracts met FAR requirements.

Use of Open Market Purchasing as the Primary Contracting Methodology

GSA contracting personnel used open market purchases as the primary contract method to procure goods and services for FEMA. However, this methodology has several disadvantages during an emergency response. In particular, the need to perform adequate contractor responsibility determinations and price reasonableness determinations is difficult in emergency situations.

Inadequate Contractor Responsibility Determinations

In awarding contracts in support of FEMA, GSA contracting officers are responsible for determining the responsibility of prospective contractors. According to GSA Acquisition Alert 2005-01 dated August 16, 2005, GSA contracting officers are to obtain sufficient information regarding prospective contractors to assure that the contractor has the ability to meet contract requirements and that it has a satisfactory performance record in accordance with FAR 9.104. The policies and procedures pertaining to prospective contractors’ responsibility are prescribed in FAR Subpart 9.1 and the General Services Acquisition Manual 509.1.

The majority of the contract files⁷ included documentation for contractor responsibility determinations. This documentation typically included one or a combination of the following data sources listed below:

- The Excluded Parties List System (EPLS), which is a web-based system that identifies those parties excluded from receiving federal contracts, certain subcontracts, and certain types of Federal financial assistance and benefits;

⁷ The audit examined 255 contract actions (original contracts and/or modifications) in 207 contract files. Documentation for contractor responsibility determinations was found in 170 of these files.

- ❑ The Past Performance Information Retrieval System, which is designed to provide access to information about contractors and their performance that may be used for source selection by government acquisition personnel; and
- ❑ The Contractor's Indebtedness List, which contains the names of contractors and carriers who have been reported as being indebted to the United States resulting from contractual dealing with the Department of Defense and other Government Agencies.

These data sources may provide responsibility information on contractors that have had past contracts with Federal agencies. However, they do not provide contracting officers with information on contractors that have not had Federal contracts in the past. The main prerequisite for new contractors is to register at the Central Contractor Registration website, which is the primary vendor database for the Federal government. Contractors input their data into the system and then the system can provide basic information on the contractor and the goods or services provided by the contractor. However, the system has only minimal value for determining a contractor's responsibility and qualifications as it has only an optional data field for a point of contact responsible for administering Federal government past performance reports and response efforts.

To award open market contracts during an emergency response, alternative approaches for ensuring contractor responsibility need to be explored since these data sources do not provide contracting officers with sufficient data to assess all prospective contractors' abilities to meet contract requirements or to review their past performance. This need is highlighted by contractor performance problems observed during the hurricane response. For example, GSA awarded a \$5.2 million contract for base camp operations for 1,000 people in Louisiana. This contractor was recommended by FEMA and was not subjected to a qualifications review. However, this contractor had no prior experience in providing base camps and was paid the entire contract amount although the work was not performed completely or satisfactorily.

Questionable Reasonableness of ESF #7 Contract Pricing

Contracting officers are required to establish price reasonableness for goods and services procured. The FAR states that: (1) a price analysis [should] be used when cost or pricing data is not required; (2) adequate price competition establishes price reasonableness; and (3) the contracting officer shall document the principal elements of the negotiated agreement. Our review found that price reasonableness determinations were often either not performed or were deficient.

For the 255 contract actions reviewed, 118 had either no price reasonableness determinations or determinations that we considered deficient in establishing fair and reasonable pricing. In addition, 102 price reasonableness determinations for trailers were based primarily on a maximum limit of \$25,000 per trailer set by FEMA. In one

region, the only statement of price reasonableness for some procurements was in a boilerplate justification for other than full and open competition. This statement simply stated, "Contracting officers are expected to award at fair and reasonable prices with full consideration of the unique circumstances surrounding each purchase." Additionally, "Contracting officers need not document files with statements of price reasonableness unless they have doubts that the price is reasonable. In this case, they shall document the file to show how they determined the price to be fair and reasonable." As such, the vast majority of contract actions reviewed had no reliable measure for determining whether prices were fair and reasonable based on file evidence.

In addition, our review of ESF #7 contract pricing indicates that the pricing for certain types of services was not just inconsistent, but also unreasonable in some cases. Our review examined the pricing for ambulance services, base camps, catering, and showers, which represented about \$218 million of the contracts GSA issued. The review compared pricing for similar contracts that were issued by GSA under ESF #7. In addition, the pricing for catering and mobile shower facility contracts were compared to similar standing contracts awarded by the United States Forest Service (USFS) in support of their fire fighting efforts. Although there are some variables that influence the pricing on the contracts, such as whether the contracts were issued immediately after the hurricane hit or several weeks later, the pricing for these services varied over a wide range, as shown below:

- Hourly prices for ambulance services (advanced life support) ranged from \$124 to \$160, with an average price of \$147.
- Pricing for basic base camp services (lodging, meals, and showers) ranged from \$109 to \$499 per day per person.
- Catering service contract prices (which include breakfast, lunch, and dinner) ranged from \$25.41 to \$70.95 per day. The range for comparable services per 16 USDA National Mobile Food Services Contracts reviewed was \$37.24 to \$48.33.

In particular, the mobile shower facility contracts negotiated by GSA had indications that the pricing was unreasonable. On these contracts, the pricing was significantly more expensive than those negotiated by the USFS. In many instances, the ESF #7 contracts included line item pricing for the shower unit as well as for potable water trucks and the storage of gray (used potable) and potable water; however, these additional line items are included in the base price of the USFS shower contracts. For example, one contract GSA negotiated had a per day price of \$3,500 for a 20 head shower unit, \$2,500 for a potable water vehicle, and \$2,500 for a gray water vehicle. This translates to a per day cost of \$8,500, versus the USFS's average all-inclusive

daily rate of \$3,218⁸. Over a 30-day period this computes to a \$158,460 cost differential for one 20 head shower unit.

Even pricing for contracts with the same contractor varied. For example, one contractor received two similar contracts that were awarded by two different contracting officers at two different contracting sites. One contract, for a six head shower unit, broke out the pricing for the shower unit (\$1,200), potable water vehicle (\$1,200), and gray water vehicle (\$1,100) for a total of \$3,500 per day. Another six head shower contract with the same contractor, for what appear to be the same services, indicates an all-inclusive price of \$1,200 per day. This equates to a \$2,300 per day difference, \$138,000 over the life of the 60-day contract.

While we performed only limited price testing for our review, we identified several factors that place the government at risk of paying more than fair and reasonable prices. In many instances, contracting personnel had limited knowledge of the products and services being procured, and they often had to expedite the contracting process for the procurement of life-saving and life-sustaining goods and services. These procurements allowed only limited time and means for contracting personnel to identify potential contractors and establish fair and reasonable pricing. To identify potential contractors, GSA contracting personnel often relied on sourcing information provided by FEMA or resorted to using the Internet, yellow pages, or other local sources. However, during the initial response, even these resources may have been unreliable since system access, telephone, Internet, and facsimile services were not always readily available.

To mitigate the above-mentioned risks and limitations for future emergency procurements, GSA should consider alternative contracting methods that would allow GSA to provide these goods and services in an expeditious manner, while placing less of a burden on emergency contracting personnel. For example, if GSA contracting officers had the ability to order from the pre-existing contracts, such as the Forest Service contracts, they would have the ability to meet FEMA's needs without performing contractor responsibility determination or a price reasonableness determination in a limited time frame.

Inaccurate and Incomplete Procurement Data

When issuing contracts under ESF #7, GSA contracting personnel did not utilize GSA or FEMA contracting information systems. Therefore, contract data was not captured by any centralized information system as contracts were awarded. Instead, contract data was manually input into tracking logs, which were developed at local contracting sites to track procurements, and loaded into the Federal Procurement Data System (FPDS) after the fact. Due to the manual nature of this process, both the tracking logs and FPDS had issues relating to the accuracy and completeness of the data.

⁸ Although the structures of the contracts aren't exactly identical, pricing based on the services provided should be generally comparable.

Tracking logs were used at all contracting locations to monitor the receipt of requests, funding documents, and the contracts awarded under ESF #7. However, GSA has no standard format for the logs. Although all of the logs were basically spreadsheets, there were several different formats in use and different sets of data being collected. Further, the manual nature of the logs can be error prone when controls breakdown. Both of these issues led to problems in reporting GSA's response activities. For example, based on these logs, GSA reported that as of December 20, 2005, it had procured approximately \$1.076 billion in goods and services in support of FEMA; however, the support for this amount is inaccurate. One region had reported contracts valued at \$141.4 million, but this region's tracking logs were unreliable. Based on other documentation provided by this region at that time, the region had actually issued \$317.2 million in contracts. In addition, travel trailer contracts were being procured by one region but tracked by two regions – the region making the procurement and the region coordinating the procurements with FEMA. As such, both regions reported the value of these contracts and the consolidated amount double-counted approximately \$200 million in contracts.

GSA also had issues regarding data loaded into FPDS. According to GSA personnel, GSA had not input contract information into FPDS during past disasters and initially did not load any of the Katrina contract information. When regional personnel learned that the contract data was supposed to be loaded into FPDS, there were two problems – there was a backlog of contract data that had not been input into FPDS and some GSA contract personnel did not know how to manually input data into FPDS, as they normally rely on GSA's systems to download contract data to FPDS. As such, GSA contracting personnel had to be trained to manually load data into FPDS. To catch up with the backlog, contracting personnel, who were not necessarily familiar with the contracts, performed the data input well after contract award. As a result, the FPDS data for GSA's ESF #7 procurements was often inaccurate and incomplete and it did not provide a reliable gauge for GSA's contracting activity.

FPDS' contract information shortcomings are illustrated by the fact that FPDS shows that GSA awarded approximately \$625 million⁹ in contracts in response to Hurricane Katrina, while the tracking logs identify contract awards in the neighborhood of \$962 million¹⁰. Further, contract data that FPDS did contain was often inaccurate. For example, FPDS identifies the competitive status (i.e. full and open, not competed, etc.) for contracts awarded, as well as for any contract modifications. However, for the 255 actions reviewed, 76 showed discrepancies between the data contained in FPDS and that supported by the contract/contract file. In addition, there were also some errors in the socio-economic status of contractors that received contracts. For example, one contractor was incorrectly listed as a small business for a \$50 million contract; likewise, a national supplier of camping equipment was also listed as a small business for a \$1.6 million contract. Although these and similar errors appear to be unintentional, the reliability of the procurement data becomes suspect.

⁹ Based on FPDS report dated 5/17/06

¹⁰ This is based on the tracking logs provided as of March 31, 2006.

As discussed, FPDS' data accuracy and completeness problem was due to the initial lack of established procedures for FPDS data entry and the manual data entry performed by GSA associates who were unfamiliar with the contracts. In addition, there was no apparent system in place to verify the accuracy of information entered. For example, one error was not corrected until the contractor complained to GSA about repeated phone calls from news organizations and competitors because its travel trailer contract for \$2,297,162 was input incorrectly as \$22,971,620.

To ensure accurate and timely procurement data is available, GSA should coordinate with FEMA to explore the use of a centralized information system that automatically captures procurement data. If this is not feasible, GSA should establish the manual procedures needed to ensure timely entry and access to the procurement data.¹¹

Regional Emergency Management Practices Need to be More Consistent

GSA's regional emergency management coordinators lead GSA's support to FEMA. According to the NRP, after the initial notification, GSA central office plays a support role, while the regional emergency management team assumes control of the ESF #7 function. In fulfilling these responsibilities, the regional emergency management teams have developed their own practices leading to inconsistency between the regions. Although some variation may be normal, there are several practices that should be standardized.

Inconsistent Handling of Mission Assignments

FEMA issues Mission Assignments to GSA under ESF #7 primarily to either activate GSA employees under ESF #7 or to sub-task¹² other support functions and agencies. However, the management controls and processes over Mission Assignments vary from region to region, which makes it difficult to reconcile GSA's support with the Mission Assignments recorded by FEMA. As Mission Assignments define GSA's roles and responsibilities during a disaster and provide a method for GSA to be reimbursed for its work, GSA should have consistent management controls in place. Examples of these management controls that should be standardized include the following:

- Mission Assignments should be tracked, monitored, and periodically reconciled with FEMA. FEMA submits Mission Assignments to GSA RECs to activate the ESF #7 support function as well as for other specified tasks. During Hurricane Katrina, we found that while both of the regions that were primarily affected input the Mission Assignments performed by GSA into the financial system by creating

¹¹ GSA can no longer input FEMA order numbers into FPDS. With the FPDS upgrade, GSA has elected to re-format order numbers and will now use FEMA access and assign contracts to GSA.

¹² If GSA subtasks a Mission Assignment, it should be documented via an official Memo or Letter to the supporting agency where the work is assigned. If a Mission Assignment is officially reassigned to another agency, GSA's responsibility is over when FEMA processes the realignment.

Reimbursable Work Authorizations (RWAs), only one region logged the Mission Assignments so they could be tracked by the REC. When Mission Assignments are not logged and tracked by the REC, they cannot be readily reconciled directly with FEMA. FEMA holds GSA responsible for the not only the task on the Mission Assignment, but also for the funds that are identified on the Mission Assignment. To ensure control, GSA should establish a method to track, monitor, and reconcile the Mission Assignments.

- GSA needs to standardize how Mission Assignments that sub-task other support functions should be handled. During Hurricane Katrina, GSA received over \$72 million in Mission Assignments, but GSA retained only about \$5 million; the rest were sub-tasked to other support functions. However, GSA's regions do not handle these sub-tasking Mission Assignments consistently. One region accepted this type of Mission Assignment, logged it, and forwarded it to the support function sub-tasked on the Mission Assignment; however, another region declined to accept Mission Assignments that sub-tasked other support functions. This caused reconciliation issues, as there was no record of which Mission Assignments were declined and FEMA may hold GSA responsible for these Mission Assignments.
- GSA needs to submit progress reports on Mission Assignments. According to instructions on the Mission Assignment form, the recipient agency "is responsible for submitting a Mission Assignment Monthly Progress Report to FEMA to include cost data when Mission Assignments take more than 60 days to complete, including billing." However, according to FEMA, GSA has not submitted progress reports on its Mission Assignments. The reports enable FEMA to determine when the Mission Assignment work has been completed, so that both FEMA and GSA can closeout the financial aspects of the Mission Assignments accordingly.

Regional Acceptance of Procurement Requests

Regional processing of procurement requests also varies from region to region. In order to have GSA initiate a procurement under ESF #7, FEMA submits a request for the product or service that is needed. One GSA region requires the Action Request Form (FEMA Form 90-136) for FEMA procurement requests, while the other region accepts the request using either the Action Request Form or the Requisition for Supplies, Equipment and/or Services (FEMA Form 60-1). Although this may seem trivial, the Requisition form is for FEMA internal use for supplies and does not provide the same authority to GSA as the Acquisition Request Form.

GSA's Controls Over Reimbursable Labor and Travel Costs Need to be Strengthened

The Mission Assignments not only provide descriptions of the services to be provided, but also specify the monetary authority to reimburse GSA for its support. The Mission Assignments are the basis for reimbursable agreements between GSA and FEMA using RWAs.¹³ Although GSA may incur some contract costs in fulfilling its support to FEMA, the majority of these costs were for GSA personnel providing procurement support under ESF #7 and telecommunications support under ESF #2. For this support, GSA is primarily reimbursed by FEMA for employee time and travel.

Per the GSA Emergency Management Handbook¹⁴ and GSA Office of the Chief Financial Officer guidance issued December 13, 2005, all costs paid through revolving funds should be reimbursed by FEMA; costs paid through appropriated funds and reimbursed by FEMA should be limited to overtime, travel, and per diem. GSA bills FEMA up to the amount provided on the Mission Assignment via the RWA. In order to obtain reimbursement, GSA's regions identify and collect time and travel costs, which are then charged against the Mission Assignment using the RWAs.

To track the time and associated costs of activities related to Katrina disaster relief, GSA's National Payroll Center established two new codes in ETAMS. GSA created Code 31 - Federal Disaster Relief (Disaster Relief) to record all time spent in direct support of Federal Disaster Relief for two categories of associates: 1) Volunteers working with FEMA for which GSA will only receive reimbursement for travel and premium pay, and 2) Other GSA employees who are working on disaster relief activities in conjunction with their current job duties, for which GSA will not be reimbursed by FEMA. It also created Code 32 - Federal Disaster Relief – FEMA (FEMA Disaster Relief), used to record all time spent in direct support of Federal Disaster Relief for employees whose full salary and premium pay will be reimbursed by FEMA. These codes are to be used in conjunction with other primary codes such as: Regular Time (01), Overtime (10, 14), and Military Leave (51).

Billing Errors and Omissions

To determine whether the costs that GSA billed to FEMA for its Hurricane Katrina assistance were appropriate, we obtained a list of RWAs that GSA established to accumulate and bill FEMA for reimbursable Hurricane Katrina-related expenses. We selected the three largest RWAs (based on dollars authorized as of January 3, 2006) and tested the accuracy of charges for September 2005 through January 2006. While our review determined that charges to one RWA for logistical support services were appropriate and adequately supported, charges to the remaining two for GSA personnel and travel costs were incomplete:

¹³ E-type RWAs are non-recurring RWAs specifically used by FEMA to facilitate services in support of declared emergencies or disasters.

¹⁴ ADM P 2400.18 GSA Emergency Management Program, 5-3.g.(5)

- RWA Number 6563567 had an authorized amount of \$2,805,000 for payroll and travel costs for GSA employees who were detailed to assist FEMA in Baton Rouge and New Orleans. We reviewed \$942,531 of the costs charged to it, and observed both over- and under-billings. In aggregate, we determined that GSA could have charged FEMA an additional \$114,887 for travel and payroll costs.
- RWA Number 6563570 had an authorized amount of \$1,600,000 for payroll and travel costs for GSA employees who were detailed to assist FEMA in Baton Rouge, New Orleans, and Denton, TX. We reviewed \$135,740 of the costs charged to it, and determined that GSA could have charged FEMA an additional \$20,582 for travel and payroll costs.

Although the under-billings are not large, there is an underlying lack of control that results in offsetting under-billings and over-billings. For example, GSA billed FEMA 674 hours for one employee to RWA Number 6563567 although the employee only worked 456 hours in support of FEMA. Conversely, GSA did not bill FEMA for approximately 178 hours of another employee's time.

In addition, using a list of 813 GSA employees who responded to the disaster, we also identified a sample of 55 GSA responders to determine whether their time and travel expenses were appropriately billed to FEMA. This sample consisted of 39 reimbursable and six appropriated employees whose time was charged to code 32 in GSA's Electronic Time and Attendance Management System (ETAMS), five GSA employees whose time was charged to Code 31, and five employees for whom our documentation did not identify an ETAMS code for Katrina. We obtained their respective travel vouchers, ETAMS sheets, and pay rate information and computed the amounts that should have been billed to FEMA.¹⁵ For these 55 employees, GSA had billed FEMA approximately \$203,794. However, based on the information obtained, GSA should have billed for an additional \$182,502.

The Process to Identify and Charge the Billings is Unclear

Overall it appears that GSA has under-billed FEMA for Katrina-related support costs. In some cases the under-billings resulted from regional policies and decisions. For example, one region consciously charged FEMA for employee travel and overtime expenses only. Additionally, GSA decided not to bill for the cost of employees that normally worked in GSA's personal property disposal program. However, a major cause of the under-billings is that the process to identify and charge the billings is unclear and inconsistent.

The payroll coding for employee time responding to a disaster can be confusing. The multiple functions of the new ETAMS codes make it difficult to determine whether and

¹⁵ We could only establish Katrina-related payroll and travel expenses for 48 of the 55 employees.

how the costs for overtime, regular hours, and holiday time should be charged. For example, the Disaster Relief code was to be used to capture the time for GSA employees who volunteered to work for FEMA as well as the time for GSA employees working to recover GSA operations after the hurricane. So the code is used to capture both the time of employees whose overtime can be charged to FEMA as well as the time for GSA employees whose costs cannot be billed to FEMA. Therefore, it is difficult to ascertain, based on ETAMS sheets, whether employee time is reimbursable by FEMA.

Further adding to the disaster coding confusion was the inconsistent use of overtime, night differential and holiday coding. Some GSA timekeepers used night differential and holiday coding, while others did not. Similarly, some timekeepers coded all time related to FEMA to the FEMA Disaster Relief code, while others only coded overtime to this code. Further, because the ETAMS codes were established for all disasters and not only for Katrina, time related to other hurricanes from last year, such as Hurricanes Rita and Wilma, was also included in the hours charged.

Even further exacerbating the coding confusion was the fact that even consistent and correct use of ETAMS coding did not ensure proper billing for Katrina-related expenses that are reimbursable by FEMA, as it does not automatically cause an RWA to be charged for pay incurred. Further, travel costs were not charged to RWAs in a consistent manner. While some travel expenses were coded directly to RWAs through GSA's travel system, airfare and travel agency fees were charged to the RWAs via cost transfers.

Overall, the management controls to identify and bill FEMA for disaster support need to be strengthened. The current process uses a combination of manual and automatic processing that can have breakdowns on several different levels. To ensure GSA bills FEMA appropriately and completely, the process should be examined and strengthened.

Conclusion

Hurricane Katrina was one of the most destructive natural disasters in American history, impacting 93,000 square miles of the United States, devastating the Gulf Coast of Mississippi, flooding the city of New Orleans, and causing an estimated \$96 billion in damage. GSA had never encountered a disaster of this magnitude before nor been called upon to respond with the level of services provided. Given the enormity of the devastation, GSA was pushed to the limit of its response capabilities.

Our audit identified a number of control and procedural weaknesses that impeded GSA's efforts to fulfill its ESF #7 mission to provide resources in support of FEMA's Hurricane Katrina disaster relief efforts. While we observed that GSA generally accomplished its ESF #7 mission, these weaknesses hindered agency efforts to do so efficiently and effectively. GSA management has also recognized a number of these

weaknesses, and has made attempts to address them. These efforts should be continued in order to better utilize GSA's purchasing expertise in future emergency situations.

One underlying obstacle that impacted GSA's ability to efficiently fulfill its ESF #7 mission is a lack of clearly defined emergency contracting roles and responsibilities. Neither the NRP nor the MOU with FEMA clearly enumerate these roles and responsibilities. In fact, the MOU was signed in 1989 and has not been updated to reflect the NRP. This issue along with inadequate communication between GSA and FEMA contributed to problems with contract administration and oversight. While GSA has been working with FEMA since late 2005 to revise and update the interagency agreement, the need to clarify both agencies' emergency procurement roles and responsibilities remains a priority.

Another obstacle faced by GSA emergency contracting personnel was a lack of consistent and comprehensive national-level emergency contracting guidance and training. The need for such training and guidance was highlighted by GSA's multi-regional response to the disaster, which involved contracting personnel from multiple regions providing support in both Region 4 and Region 7, the primary regions affected by the disaster. Further complicating this situation, emergency contracting staff lacked onsite supervision and oversight during the disaster response and faced difficult rotation scheduling. As a result, contracting officers did not fully adhere to contracting requirements.

In addition, GSA used open market purchasing as its primary contracting method; however, this methodology has several disadvantages during an emergency response. In particular, contracting personnel do not have the time to perform adequate contractor responsibility determinations nor negotiate fair and reasonable pricing. GSA has recognized this and has been working with FEMA to develop a supply and logistics strategy for emergency response that includes establishing advance contract vehicles for various emergency supplies and services. However, GSA should explore other contracting methodologies to use during an emergency as well since it is likely that advance contracts will not be in place for all goods and services needed during an emergency.

Further, GSA's emergency management practices to support FEMA varied among the regions. For instance, management controls and processes regarding the handling of Mission Assignments and sub-tasking varied from region to region, thus making it difficult to reconcile GSA's support with the Mission Assignments recorded by FEMA. Similarly, the processing of procurement requests varied by region as one region accepted multiple forms from FEMA and another accepted only a specific request form. While some variances are to be expected as regional emergency management teams control the ESF #7 function, basic practices should be standardized. According to GSA, a new field guide for emergency management is being developed to establish standard operating procedures nation-wide.

Finally, GSA did not bill FEMA for a considerable portion of the reimbursable payroll and travel expenses incurred. In some cases these under-billings resulted from regional policies and decisions. However, a major cause of the under-billing is that the process to identify and charge the billings is unclear and inconsistent. Ambiguous coding and manual processing allow for breakdowns on several levels. Recently, GSA created new coding to help track reimbursable labor costs. However, to ensure GSA bills FEMA appropriately and completely, GSA needs to review and enhance its billing methodology so that it can accurately identify, track, and bill for costs GSA incurs to support FEMA.

Recommendations

To improve GSA's disaster support to FEMA, the GSA should:

1. Collaborate with FEMA to update the 1989 MOU. The updated MOU should clarify procurement responsibilities for each agency and other aspects of GSA's relationship with FEMA including the responsibility for the long-term administration of leases.
2. Establish national emergency contracting guidance and standard operating procedures for its emergency management program to address contracting requirements and processes related to ESF #7 emergency contracting.
3. Institute nationwide emergency contracting training to prepare contracting staff for future disasters. This training could eliminate confusion and address basic issues encountered during the Hurricane Katrina disaster, such as competition, Justification for Other Than Full and Open Competition, documentation requirements, contract ownership, etc. This training could also emphasize the importance of providing clear contract pricing and definitive statements of work. Given that contracting personnel were drawn from multiple regions for Hurricane Katrina and could be for future events as well, it is important that potential responders receive regular and consistent training and preparation.
4. Ensure the proper supervision and oversight of contracting personnel supporting FEMA under ESF #7. The supervision should include providing guidance and oversight on contracting personnel and when necessary, include early supervisory review of contract files, assuring that required documents are properly prepared and included in contract files. This is particularly important given the rotation of contracting personnel during the Hurricane Katrina response.
5. Develop alternative contracting methods that would mitigate risks of limited availability of contractor responsibility information and limited sourcing capabilities. These methods should allow GSA to provide goods and services in

an expeditious manner, while placing less of a burden on emergency contracting personnel.

6. To ensure accurate and timely procurement data is available, GSA should coordinate with FEMA to explore the use of a centralized information system that automatically captures procurement data.
7. Ensure that regional emergency management program practices are consistent especially with regard to the management and reporting of Mission Assignments and the acceptance of procurement requests.
8. Examine the current billing methodology to ensure that costs incurred by GSA to support FEMA can be accurately and completely identified and billed to FEMA, as is appropriate.

Management Comments

In his February 22, 2007 response to the draft audit report (see Appendix A), the Chief of Staff (AC) indicates concurrence with the report recommendations.

Management Controls

As discussed in the Objectives, Scope, and Methodology section of this report, the audit focused on aspects of GSA's emergency response processes. Related management control issues are discussed in the context of the audit findings and addressed by the recommendations provided above.

**Audit of GSA's Response to Hurricane Katrina
Report Number A060055/A/R/F07009**

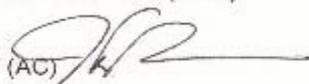
Management's Response to Draft Report



GSA Chief of Staff

FEB 22 2007

MEMORANDUM FOR R. NICHOLAS GOCO
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR REAL PROPERTY AUDITS (JA-R)

FROM: JOHN PHELPS 
CHIEF OF STAFF (AC)

SUBJECT: Pre-Issuance Draft: Audit of GSA's Response to
Hurricane Katrina
Report Number A060055

We appreciate the work that the auditors have done on this issue and appreciate the opportunity to comment. We have no substantive comments on the findings and recommendations of the draft audit.

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405-0002
www.gsa.gov

**Audit of GSA’s Response to Hurricane Katrina
Report Number A060055/A/R/F07009**

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